

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of:) CC Docket 05-337
)
Federal-State Joint Board on Universal Service)
)
)
Merits Of Using Auctions To Determine High)
Cost Universal Service Support)
)
)

COMMENTS OF THE IOWA UTILITIES BOARD

August 11, 2006, the Federal-State Joint Board (Joint Board) on Universal Service issued a public notice seeking comments on the merits of using reverse auctions (competitive bidding) to determine high cost universal support.

The Iowa Utilities Board (IUB) submits the following comments regarding the Public Notice. The IUB supports the efforts of the Joint Board and encourages the Joint Board to continue to search for solutions to revise high cost universal service funding. Limiting the number of supported providers within a given study area appears to be a worthwhile step. However, it appears more attention should be given to the impact that approach might have on rural areas. On the one hand, rural exchanges may represent the type of service territory where it makes the most economic sense to support only one network and an auction may incent carriers to seek operational efficiencies in serving the area. On the other hand, existing incumbent networks have been constructed (sometimes at relatively high per-customer cost) in reliance upon continued receipt of universal service support. If that support were to suddenly be re-directed to another network based upon competitive bids, the existing universal service "investment" in the incumbent network could be lost.

As a part of the reverse auction process, the Joint Board proposes a number of new obligations for state public utility regulatory commissions, including conducting the auctions, selecting the winning bid, ongoing contract administration, and applying sanctions, if necessary. The IUB would welcome the opportunity to be an integral part of the process. Indeed, those responsibilities would be best served at the state level. However, the IUB notes that while the effort and process would reside here, none of the revenues would remain with the state commissions to pay the costs associated with those responsibilities. Those costs can be expected to be significant, when considered in terms of a state commission's budget. State commission cost recovery is an issue that should be

addressed if state commissions are to be assigned the responsibilities described in the proposal.

CONCLUSION

The Board respectfully submits these comments for the Joint Board and encourages them to continue to research the most appropriate methods for determining high cost universal support.

Respectfully submitted,

John Ridgway
Manager – Telecommunications

October 10, 2006